



Credit Union National Association

cuna.org

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March 15, 2011

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th and C Streets, NW
Washington, DC 20551

Dear Chairman Bernanke:

On behalf of the Credit Union National Association, I am writing to urge you and all the Federal Reserve Board Governors to help ensure small issuers, and the consumers and small businesses they serve, will not be disadvantaged under Section 1075 of the Dodd-Frank Act. This letter supplements the comment letter CUNA filed December 16 regarding the Board's proposal. CUNA represents about 90% of the nation's 7,600 state and federal credit unions, which serve approximately 93 million members.

As you have indicated in recent statements, despite the language in Section 1075 directing that small issuers be exempt from the debit rate standards, no one can demonstrate that the exemption will actually work in the marketplace.

At this juncture, we believe the best approach regarding the exemption, as well as other concerns with the rate setting, routing, and exclusivity provisions in the proposal, is to delay implementation of the proposal so that a study can be conducted. Such a study would help determine how best to address merchants' concerns about the interchange process while allowing small issuers to continue providing beneficial debit card programs and services without being unduly harmed.

Legislation introduced in the U.S. Senate today by Senator Jon Tester (D-MT) and cosponsored by Senators Tom Carper (D-DE), Bob Corker (R-TN), Chris Coons (D-DE), Jon Kyl (R-AZ), Mike Lee (R-UT), Ben Nelson (D-NE), Pat Roberts (R-KS) and Pat Toomey (R-PA) would accomplish this goal. While it is not clear whether a delay can be provided prior to the July 21 effective date of the rate setting provisions, we believe the Board's proactive support for a delay and study would be very beneficial to the process. We urge the Board to support a delay.

Despite the introduction of the bill S. 575, there is still uncertainty about the delay, we also urge the Board to give full consideration to how the exemption for small issuers can be effective, as Congress intended. We strongly support the letter that FDIC Chairman Sheila Bair sent to you March 10, 2011. In our own comment letter, we offered an additional approach under which the Board would collect data from the networks as to whether they are providing a two-tiered debit card rate structure. Such information would be reported to Congress on an annual basis. This would add transparency to the process and would provide data that policymakers could use to determine whether the exemption is working. We also suggested a similar approach regarding the routing provisions.



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As a regulator, and one that writes a number of rules that include credit unions, I know you understand that credit unions are facing serious decisions related to net worth as a result of the debit interchange amendment, if the exemption does not work. Credit unions are the only financial institutions in this country that may only build net worth through retained earnings. With the substantial reduction in debit card interchange fees that is predicted absent an effective exemption, the 70% of credit unions that offer debit card programs will be faced with anti-consumer, anti-small business choices to ensure they can still maintain current net worth levels as regulators want them, at the very least, to do. Credit unions will be forced to raise fees for accounts and services, or drop product offerings, or both.

This cannot be sound public policy and cannot be what any policymaker intended. Credit unions want to continue providing attractive choices in the financial marketplace to their consumer and small business members. We urge the Board to help ensure credit unions and other small issuers are not harmed by Section 1075. Thank you for your attention to this very timely issue.

Best regards,

A handwritten signature in black ink, appearing to read 'Bill Cheney', with a long, sweeping horizontal line extending to the right.

Bill Cheney
President & CEO

cc: The Honorable Jon Tester
The Honorable Thomas Carper
The Honorable Bob Corker
The Honorable Christopher Coons
The Honorable Jon Kyl
The Honorable Mike Lee
The Honorable Bill Nelson
The Honorable Pat Roberts
The Honorable Pat Toomey